

GOVERNMENT WIDE FINANCIAL STATEMENTS

CITY OF BEAVERTON, OREGON
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$27,309,250	\$24,997,356	\$52,306,606
Property taxes receivable	787,322		787,322
Assessment liens receivable	87,642		87,642
Accounts and other receivables, net	599,475	2,505,395	3,104,870
Accrued interest receivable	105,097	49,146	154,243
Internal balances	493,177	(493,177)	
Grants receivable	324,655		324,655
Due from other governments	392,154	200,264	592,418
Inventory	64,779	85,736	150,515
Other assets	64,400		64,400
Investments in joint ventures and intangible assets		19,185,858	19,185,858
Capital assets			
Land and construction in progress	9,214,619	6,465,437	15,680,056
Buildings and improvements (net of depreciation)	28,946,873	172,965	29,119,838
Machinery and equipment (net of depreciation)	2,297,868	828,927	3,126,795
Infrastructure (net of depreciation)	87,199,156	110,374,994	197,574,150
TOTAL ASSETS	157,886,467	164,372,901	322,259,368
Liabilities			
Accounts payable	1,488,422	126,987	1,615,409
Accrued salaries and payroll taxes	3,446,689	344,240	3,790,929
Accrued interest payable	74,840	152,313	227,153
Other accrued liabilities	736,508	159,550	896,058
Due to other governments	159,190	2,426,458	2,585,648
Unearned grant revenue	36,917		36,917
Deposits and retainages payable	763,503	590,206	1,353,709
Long-term liabilities (net of discount):			
Due within one year, contracts and loan payable		24,631	24,631
Due within one year, bonds payable	1,490,000	1,940,744	3,430,744
Due in more than one year, contracts and loan payable	752,000	715,200	1,467,200
Due in more than one year, bonds payable	17,200,000	18,169,689	35,369,689
TOTAL LIABILITIES	26,148,069	24,650,018	50,798,087
Net Assets			
Invested in capital assets (net of debt)	108,216,516	111,305,507	219,522,023
Restricted for:			
Construction	3,510,506	10,009,307	13,519,813
Debt service	272,436	107,543	379,979
Highways and streets	2,197,345		2,197,345
Education	1,322,194		1,322,194
Unrestricted	16,219,401	18,300,526	34,519,927
TOTAL NET ASSETS	\$131,738,398	\$139,722,883	\$271,461,281

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$16,846,402	\$4,705,250	\$684,536		(\$11,456,616)		(\$11,456,616)
Public safety	15,276,133	3,401,939	387,166		(11,487,028)		(11,487,028)
Highways and streets	8,211,942	199,430		\$15,764,926	7,752,414		7,752,414
Education	5,154,633	144,810	2,767,399		(2,242,424)		(2,242,424)
Cultural and recreation	181,377	3,420	21,455		(156,502)		(156,502)
Interest on long-term debt	966,004				(966,004)		(966,004)
Total governmental activities	46,636,491	8,454,849	3,860,556	15,764,926	(18,556,160)		(18,556,160)
Business-type activities:							
Water	6,885,467	8,670,560		1,306,705		\$3,091,798	3,091,798
Sewer	2,889,860	2,505,615		682,936		298,691	298,691
Storm drain	2,572,704	2,667,291		1,402,325		1,496,912	1,496,912
Total business-type activities	12,348,031	13,843,466		3,391,966		4,887,401	4,887,401
Total government	\$58,984,522	\$22,298,315	\$3,860,556	\$19,156,892	(18,556,160)	4,887,401	(13,668,759)
General revenues:							
Taxes							
Property taxes, levied for general purpose					18,565,531		18,565,531
Property taxes, levied for debt service					2,344,610		2,344,610
Franchise and public service taxes					4,891,497		4,891,497
Motor fuel taxes					3,937,872		3,937,872
State shared taxes					1,326,761		1,326,761
Hotel/motel taxes					363,240		363,240
Interest and investment earnings					398,690	327,393	726,083
Other revenues					504,674		504,674
Total general revenues					32,332,875	327,393	32,660,268
Change in net assets					13,776,715	5,214,794	18,991,509
Net assets--beginning					117,961,683	134,508,089	252,469,772
Net assets--ending					\$131,738,398	\$139,722,883	\$271,461,281

The notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund

This fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, licenses and permits, franchise fees, state shared revenues and charges for administrative services provided to other funds. Primary expenditures are for police protection, court, engineering and planning services, and general administration such as human resources, finance, city attorney and mayor's office.

Street Fund

Accounts for receipts and expenditures of revenues from county gasoline tax and state gasoline taxes apportioned from the State of Oregon, and expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

Library Fund

Accounts for receipts and expenditures of revenues from a county library special levy and property taxes levied for operation of the City library.

Capital Projects Fund

Accounts for the construction of streets, sanitary and storm sewers, water and other designated capital facilities. Grants and transfers from other funds and other governmental agencies comprise its major sources of funds.

OTHER GOVERNMENTAL FUNDS

State Revenue Sharing Fund, Building Operating Fund, Community Development Block Grant Fund, Street Lighting Fund, Traffic Impact Fee Fund, Beaverton Arts Commission Fund, Library Donation Fund, General Obligation Debt Service Fund, Assessment Debt Service Fund, Capital Development Fund, Assessment Projects Fund.

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2004

	General Fund	Street Fund	Library Fund	Capital Projects Fund	Other Governmental Funds	Total
Assets:						
Cash and investments	\$10,761,567	\$2,454,163	\$1,522,577	\$1,557,248	\$7,131,036	\$23,426,591
Property taxes receivable	627,740		47,157		112,425	787,322
Assessment liens receivable					87,642	87,642
Accounts and other receivables, net	512,452	81,148			473	594,073
Accrued interest receivable	28,436	4,754	3,697	2,318	59,099	98,304
Interfund loan receivable	39,195					39,195
Due from other governments	11,711	357,050		23,393		392,154
Grants receivable	89,857			197,312	632,369	919,538
TOTAL ASSETS	\$12,070,958	\$2,897,115	\$1,573,431	\$1,780,271	\$8,023,044	\$26,344,819
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$654,718	\$116,425	\$84,078	\$232,935	\$187,049	\$1,275,205
Accrued salaries and payroll taxes	2,168,439	150,625	288,338		263,821	2,871,223
Other accrued liabilities	228,681					228,681
Interfund loan payable					39,195	39,195
Due to other governments					159,190	159,190
Deferred revenues:						
Property taxes	523,835		39,309		92,773	655,917
Assessment liens, interest, and miscellaneous	28,436	4,754	3,697	2,318	143,895	183,100
Grants	36,917				594,883	631,800
Deposits and retainages payable		25,557	1,650	323,020	413,276	763,503
TOTAL LIABILITIES	3,641,026	297,361	417,072	558,273	1,894,082	6,807,814
Fund balances:						
Reserved for:						
Encumbrances	541,977	402,409	27	160,750	43,846	1,149,009
Construction				1,061,248	2,449,258	3,510,506
Interfund loan receivable	39,195					39,195
Debt service					272,436	272,436
Unreserved, reported in:						
General Fund	7,848,760					7,848,760
Special Revenue Funds		2,197,345	1,156,332		3,363,422	6,717,099
TOTAL FUND BALANCES	8,429,932	2,599,754	1,156,359	1,221,998	6,128,962	19,537,005
TOTAL LIABILITIES AND FUND BALANCES	\$12,070,958	\$2,897,115	\$1,573,431	\$1,780,271	\$8,023,044	\$26,344,819

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances - governmental funds	\$19,537,005
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Capital assets used in governmental activities are not financial resources, therefore, are not reported in the governmental funds' balance sheet

Acquisition cost	\$138,511,593	
Accumulated depreciation	<u>(11,985,714)</u>	
		126,525,879

Deferred property tax revenues are collected in subsequent years and are not available to pay for current-period expenditures and, therefore, are reported as deferred revenue in the funds' balance sheet.

655,917

Deferred assessment liens and investment income revenues are collected in subsequent periods and are not available for current year's operation. However, on a full accrual basis of accounting, they are reported as revenues.

183,100

Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.

4,627,175

Long-term liabilities, including bonds/loan payable, accrued interest and payroll liabilities are not due in the current period and, therefore, are not reported in the funds' balance sheet.

Bonds and loan payable	(19,442,000)	
Accrued interest payable	(74,840)	
Accrued payroll liability	<u>(273,838)</u>	
		<u>(19,790,678)</u>

Total net assets - governmental activities	<u>\$131,738,398</u>
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The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2004

	General Fund	Street Fund	Library Fund	Capital Projects Fund	Other Governmental Funds	Total
Revenues:						
Taxes	\$16,350,893		\$1,246,911		\$3,261,513	\$20,859,317
Special assessments					17,529	17,529
Intergovernmental	1,553,776	\$3,937,872	2,715,728	\$108,647	469,536	8,785,559
Federal grants	396,433			301,828	530,979	1,229,240
Fees, licenses, and permits	871,432				4,043,569	4,915,001
Franchise fees	4,607,528	243,969			40,000	4,891,497
Fines and forfeits	2,974,724		140,687			3,115,411
Interest on investments and assessments	167,489	25,986	21,818	17,267	123,750	356,310
Charges for services	438,876				176,934	615,810
Contributions, donations, and other			467		65,488	65,955
Miscellaneous revenues and cash-in-lieu	784,121	229,579	21,043	47,966	182,126	1,264,835
TOTAL REVENUES	28,145,272	4,437,406	4,146,654	475,708	8,911,424	46,116,464
Expenditures:						
Current:						
General government	13,774,053				4,323,861	18,097,914
Public safety	15,214,132					15,214,132
Highways and streets		3,742,018		4,778,374	1,020,177	9,540,569
Education			4,550,139		91,331	4,641,470
Cultural					122,284	122,284
Debt service:						
Principal					1,420,000	1,420,000
Interest					971,336	971,336
TOTAL EXPENDITURES	28,988,185	3,742,018	4,550,139	4,778,374	7,948,989	50,007,705
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(842,913)	695,388	(403,485)	(4,302,666)	962,435	(3,891,241)
Other financing sources (uses):						
Loan proceeds					752,000	752,000
Transfers in	14,643			4,069,507	98,889	4,183,039
Transfers out	(926,451)	(203,900)			(3,052,688)	(4,183,039)
TOTAL OTHER FINANCING SOURCES (USES)	(911,808)	(203,900)		4,069,507	(2,201,799)	752,000
NET CHANGE IN FUND BALANCES	(1,754,721)	491,488	(403,485)	(233,159)	(1,239,364)	(3,139,241)
FUND BALANCES, Beginning of year	10,184,653	2,108,266	1,559,844	1,455,157	7,368,326	22,676,246
FUND BALANCES - End of year	\$8,429,932	\$2,599,754	\$1,156,359	\$1,221,998	\$6,128,962	\$19,537,005

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Net change in fund balances - total governmental funds (\$3,139,241)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Expenditures for capital assets	\$5,469,184	
Less current year depreciation	<u>(2,570,375)</u>	
		2,898,809

The net effect of transactions involving capital assets, i.e., gain/loss on sales, donations. These transactions are not reported in the governmental funds. 14,011,719

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received. 28,223

Repayments of long-term debt and long-term loan proceeds are reported as expenditures and revenues in governmental funds. However, it is reported as a decrease/increase in liabilities in the Statement of Net Assets. 668,000

Some expenses, such as accrued interest expense on long-term debt or accrued payroll liabilities, are reported in the Statement of Activities. However they do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (268,507)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (422,288)

Change in net assets of governmental activities \$13,776,715

The notes to the basic financial statements are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR BUSINESS-TYPE FUNDS

These funds are used to finance and account for the acquisition, operation and maintenance of water, sewer, and storm drain facilities which are supported by user charges. Included are:

Water Fund - accounts for the City's water utility operations, debt service and construction. This fund consists of three budgetary funds (Water Operating Fund, Water Debt Service Fund, and Water Construction Fund) that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.

Sewer Fund - accounts for the City's sewer utility operations.

Storm Drain Fund - accounts for storm drainage connection fees and a user fee charge to property owners to finance maintenance of the City drainage system.

GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for services provided by the City of Beaverton for other units within the City. Internal Service Funds include: Reprographics, Garage, Information Systems, Mapping and Technical Services, Operations Administration, and Insurance.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2004

	Business -Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Assets					
Current assets:					
Cash and investments	\$11,770,653	\$8,032,709	\$5,193,994	\$24,997,356	\$3,882,659
Accounts receivable, net	1,192,178	1,120,266	144,894	2,457,338	5,402
Other receivables	48,057			48,057	
Accrued interest receivable	21,604	16,699	10,843	49,146	6,793
Due from other governments	200,264			200,264	
Inventory of materials and supplies	59,479	1,232	25,025	85,736	64,779
Total current assets	13,292,235	9,170,906	5,374,756	27,837,897	3,959,633
Other assets					64,400
Investments in joint ventures	18,815,369			18,815,369	
Intangible assets - water rights, net	370,489			370,489	
Capital assets, net	52,730,473	34,548,414	30,563,436	117,842,323	1,132,637
TOTAL ASSETS	85,208,566	43,719,320	35,938,192	164,866,078	5,156,670
Liabilities					
Current liabilities:					
Accounts payable	57,328	14,502	55,157	126,987	213,217
Accrued salaries and payroll taxes	154,717	73,730	115,793	344,240	301,628
Accrued interest payable	152,313			152,313	
Other accrued liabilities	159,550			159,550	507,827
Due to other governments	275,923	2,068,132	82,403	2,426,458	
Deposits and retainage payable	453,602	22,171	114,433	590,206	
Contract payable	24,631			24,631	
Bonds payable (net of discount)	1,940,744			1,940,744	
Total current liabilities	3,218,808	2,178,535	367,786	5,765,129	1,022,672
Long-term liabilities:					
Contract payable (net of discount)	715,200			715,200	
Bonds payable (net of discount)	18,169,689			18,169,689	
Total long-term liabilities	18,884,889			18,884,889	
TOTAL LIABILITIES	22,103,697	2,178,535	367,786	24,650,018	1,022,672
Net Assets					
Invested in capital assets (net of debt)	46,193,657	34,548,414	30,563,436	111,305,507	1,132,637
Restricted for construction	2,722,604	3,193,102	4,093,601	10,009,307	
Restricted for debt service	107,543			107,543	
Unrestricted	14,081,065	3,799,269	913,369	18,793,703	3,001,361
TOTAL NET ASSETS	\$63,104,869	\$41,540,785	\$35,570,406	140,216,060	\$4,133,998
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(493,177)	
Net assets of business-type activities				<u>\$139,722,883</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Operating revenues:					
Charges for services	\$8,168,086	\$2,502,627	\$2,579,479	\$13,250,192	\$9,245,787
Installation fees	35,970			35,970	
Erosion control fees			86,252	86,252	
Miscellaneous revenues	106,976	2,988	1,560	111,524	246,134
TOTAL OPERATING REVENUES	8,311,032	2,505,615	2,667,291	13,483,938	9,491,921
Operating expenses:					
Personal services	1,157,655	749,220	1,082,955	2,989,830	2,546,643
Water purchases	940,075			940,075	
Administration charges from General Fund	304,188	187,587	73,151	564,926	
Franchise fee payment	406,255	608,114	157,531	1,171,900	
Insurance claims					4,633,285
Contract charges					426,679
Supplies, repairs, and services	1,263,099	517,441	572,066	2,352,606	1,904,860
Depreciation and amortization	1,191,515	769,032	641,003	2,601,550	613,633
TOTAL OPERATING EXPENSES	5,262,787	2,831,394	2,526,706	10,620,887	10,125,100
OPERATING INCOME (LOSS)	3,048,245	(325,779)	140,585	2,863,051	(633,179)
Nonoperating revenues (expenses):					
Intergovernmental revenue	359,528			359,528	
Systems development charge revenues	873,574	285,732	650,845	1,810,151	
Interest on investments	156,971	103,968	66,454	327,393	43,432
Gain on sale of capital assets					9,663
Interest expense	(1,147,300)			(1,147,300)	
Loss on equity in joint ventures	(422,048)			(422,048)	
TOTAL NONOPERATING REVENUES (EXPENSES)	(179,275)	389,700	717,299	927,724	53,095
INCOME (LOSS) BEFORE CONTRIBUTIONS	2,868,970	63,921	857,884	3,790,775	(580,084)
Capital contributions	433,131	397,204	751,480	1,581,815	
CHANGE IN NET ASSETS	3,302,101	461,125	1,609,364	5,372,590	(580,084)
TOTAL NET ASSETS - BEGINNING	59,802,768	41,079,660	33,961,042	134,843,470	4,714,082
TOTAL NET ASSETS - ENDING	\$63,104,869	\$41,540,785	\$35,570,406	\$140,216,060	\$4,133,998
Change in net assets, above				\$5,372,590	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(157,796)	
Change in net assets of business-type activities				\$5,214,794	

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Cash flows from operating activities:					
Cash receipts from customers	\$8,394,407	\$2,765,700	\$2,671,873	\$13,831,980	\$249,957
Cash payments from quasi-external operating transactions with other funds					9,244,492
Cash payments to suppliers	(2,378,284)	(598,990)	(569,612)	(3,546,886)	(6,971,575)
Cash payments to employees	(1,086,508)	(710,587)	(1,018,490)	(2,815,585)	(2,360,430)
Cash payments for quasi-external operating transactions with other funds	<u>(710,443)</u>	<u>(795,701)</u>	<u>(230,682)</u>	<u>(1,736,826)</u>	
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>4,219,172</u>	 <u>660,422</u>	 <u>853,089</u>	 <u>5,732,683</u>	 <u>162,444</u>
Cash flows from capital and related financing activities:					
Interest expense	(1,139,435)			(1,139,435)	
Acquisition of capital assets	(2,610,361)	(934,274)	(956,722)	(4,501,357)	(98,465)
Intergovernmental revenue	346,149			346,149	
Capital debt proceeds	10,375,000			10,375,000	
Proceeds from sale of capital assets					9,663
Principal paid on bonds and contracts	(9,451,502)			(9,451,502)	
Systems development charge revenues	<u>873,574</u>	<u>285,732</u>	<u>650,845</u>	<u>1,810,151</u>	
 NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(1,606,575)</u>	 <u>(648,542)</u>	 <u>(305,877)</u>	 <u>(2,560,994)</u>	 <u>(88,802)</u>
Cash flows from investing activities:					
Interest received	<u>158,519</u>	<u>104,704</u>	<u>66,163</u>	<u>329,386</u>	<u>45,486</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 2,771,116	 116,584	 613,375	 3,501,075	 119,128
 CASH AND CASH EQUIVALENTS Beginning of year	 <u>8,999,537</u>	 <u>7,916,125</u>	 <u>4,580,619</u>	 <u>21,496,281</u>	 <u>3,763,531</u>
 CASH AND CASH EQUIVALENTS End of year	 <u>\$11,770,653</u>	 <u>\$8,032,709</u>	 <u>\$5,193,994</u>	 <u>\$24,997,356</u>	 <u>\$3,882,659</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF BEAVERTON, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Totals	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$3,048,245	(\$325,779)	\$140,585	\$2,863,051	(\$633,179)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,191,515	769,032	641,003	2,601,550	613,633
Change in assets and liabilities:					
Accounts receivable	(19,019)	(37,789)	(2,433)	(59,241)	2,528
Other receivables	(9,847)			(9,847)	
Inventory of materials and supplies	(19,872)	16,395	(7,397)	(10,874)	7,990
Accounts payable	(122,355)	(100,366)	9,261	(213,460)	(17,233)
Accrued salaries and payroll taxes	71,147	38,633	64,465	174,245	186,212
Other accrued liabilities	132,854			132,854	2,493
Due to other governments	(53,496)	300,296	7,605	254,405	
TOTAL ADJUSTMENTS	1,170,927	986,201	712,504	2,869,632	795,623
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$4,219,172	\$660,422	\$853,089	\$5,732,683	\$162,444
Schedule of non-cash transactions:					
Reduction in investments in joint ventures due to loss on equity in earnings of joint ventures	\$422,048	\$ ----	\$ ----	\$422,048	\$ ----
Contributions of infrastructure by developers	\$433,131	\$397,204	\$751,480	\$1,581,815	\$ ----

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Beaverton (City), Oregon have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Beaverton, Oregon, was incorporated in 1893 and operates under the provisions of its own charter and applicable State law, with a Mayor-Council form of government. The Mayor is the Chief Executive of the City and chairs City Council meetings. The Mayor does not vote, except in the event of a tie. The Mayor may veto an ordinance or other legislative enactment; the Council may override the veto by a four-fifths vote. The City Council (the "Council") is comprised of five members. The Mayor serves a four-year term. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Finance Director, other officers, and department directors are appointed by the Mayor.

The City of Beaverton provides a full range of municipal services to the community which includes police protection, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation, building inspection and regulation, and community library service. Fire protection services are provided by Tualatin Valley Fire and Rescue and park services are provided by Tualatin Hills Park and Recreation District.

The accounts of the City are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances (net assets), revenues, and expenditures (expenses).

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Changes in Net Assets) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fee and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

financial statements. Nonmajor funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

In prior years, the City reported fiduciary funds in its financial statements. However, the City's fiduciary funds no longer meet the criteria as fiduciary in nature as redefined by GASB Statement No. 34. Therefore, all fiduciary funds net assets were transferred to other governmental funds as appropriate.

C. Measurement Focus and Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe *which* transactions are recorded with the various financial statements. Basis of accounting refers to *when* transactions are recorded, and is also an integral part of the measurement focus consideration.

The government-wide financial statements and the proprietary funds financial statements are presented on the full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. These funds use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantors have been met.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The City has elected not to apply FASB guidance issued subsequent to November 30, 1989 to business-type activities and to enterprise funds.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues in the Statement of Activities include: 1) fines, fees, and charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's ongoing operations. The operating revenues of the City's enterprise funds are water, sewer, and storm drain charges to customers for sales and services. Significant operating expenses include personnel, materials and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The governmental fund financial statements are accounted for using a current financial resources

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

measurement focus, whereby only current assets and current liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases and decreases in those net current assets. These funds use the modified accrual basis of accounting whereby revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a related fund liability is incurred, except for interfund transactions which are recorded on the accrual basis and interest on general long-term debt which is recorded as due. Significant governmental funds revenues which were subject to accrual at June 30, 2004 under the modified accrual basis of accounting were as follows: property taxes, franchise fees, assessment liens principal and interest installments, state, county, and local shared revenues which are collected within 60 days subsequent to year end.

In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences are included. Also in the government-wide financial statements, certain indirect costs have been included as part of the program expenses for the various functional activities.

Other receipts become measurable and available when cash is received and recognized as revenue at that time, except for revenues for grants and shared revenues which are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met.

A deferred revenue liability arises in the governmental funds' balance sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to finance operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue is recognized as soon as it is earned regardless of its availability. Thus, the liability created on the governmental fund balance sheet for unavailable deferred revenue is eliminated. When grant monies are received prior to the incurrence of qualifying expenses, they are recorded as unearned revenues in the government-wide Statement of Net Assets.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

The City reports the following major governmental funds:

- **General Fund**

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, state and county shared revenues and fines and forfeitures. Primary expenditures are for general government, planning and development, engineering services, and public safety.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

- **Street Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from county gasoline tax and state gasoline taxes apportioned from the State of Oregon, and expenditures as specified under Article IX, Section 3 of the Constitution of the State of Oregon.
- **Library Fund (Special Revenue Fund)**
Accounts for receipts and expenditures of revenues from a county library special levy and property taxes levied for operation of the City library.
- **Capital Projects Fund (Capital Project Fund)**
Accounts for the construction of major collector, arterial, and residential street infrastructure facilities. Grants, transfers from other funds, and intergovernmental revenues comprise its major sources of funds.

The City reports the following major proprietary funds:

- **Water Fund** (this fund consists of three budgetary funds, Water Operating Fund, Water Debt Service Fund, and Water Construction Fund that are combined as one Enterprise Fund to be in accordance with accounting principles generally accepted in the United States of America.)
- **Sewer Fund**
- **Storm Drain Fund**

These funds account for the operations, maintenance, debt service and capital construction projects for water, sewer and stormwater which are funded mostly through monthly user fees, system development fees, other extra capacity revenues and bond sale proceeds.

Additionally, the City reports non-major funds within the governmental fund type as follows:

- **Special Revenue Funds (7 nonmajor special revenue funds)**
Account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.
- **Debt Service Funds (2 nonmajor debt service funds)**
Account for the accumulation of resources and payment of principal and interest on general obligation, local improvement (Bancroft), and other long-term debt of governmental funds.
- **Capital Projects Funds (2 nonmajor capital projects funds)**
Account for the acquisition or construction of major capital facilities and for the construction of the street, water and sewer projects to be financed by assessments to benefited property owners. The primary financial source of these funds is bond sale proceeds.

Additionally, the City reports the following fund type:

- **Internal Service Funds**
Internal service funds account for those activities and services furnished internally to other organizational units within the City on a cost reimbursement basis. Charges are made to the various departments to support these activities. The City's internal service funds include Reprographics, Garage, Information Systems, Mapping and Technical Services, Operations

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

Administration, and Insurance. The aggregate of all internal service funds are reflected in the fund financial statements.

D. Assets, Liabilities, and Net Assets

1. Cash and Investments

The City maintains cash and investments in a common pool reported at fair value. The fair value of investments is determined annually and is based on current market prices. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash balance as a proportion of the City's total pooled cash and investments.

2. Receivables

Interfund transactions that are representative of lending/borrowing arrangements outstanding at fiscal year end are referred to as "interfund receivable/payable". The residual balances outstanding between the General Fund and Other Governmental Funds is expected to be repaid with the proceeds from the property owners who received benefits from the local improvement district capital improvement project.

In the government-wide financial statement, all interfund receivables and payables are consolidated within the governmental funds and any residual balances between the governmental and business-type activities are reported as "internal balances".

Property taxes receivable of the governmental fund types, which have been collected within 60 days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes receivable are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue in the fund financial statements. Property taxes become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Property taxes are levied on November 15. Taxes unpaid and outstanding as of May 16 are considered delinquent.

Assessment liens receivable are recorded as Other Governmental Fund receivables at the time property owners are assessed for property improvements. Assessment lien installments, which have been collected within 60 days subsequent to year end, are considered measurable and available and are recognized as revenues. All other assessment liens receivable are offset by deferred assessment liens revenues and accordingly, have not been recorded as revenue in the fund financial statements. Assessment interest receivable is recorded as earned; the assessment interest revenue is recognized when it becomes measurable and available.

Receivables of the proprietary fund types are recorded as revenue when earned, including services earned but not billed. The enterprise fund receivables relate to billings for residential and commercial customers that utilize the City's water, sewer and storm drain services.

Receivables in governmental and enterprise funds are stated net of an allowance for uncollectibles.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

3. *Inventory of Materials and Supplies*

Inventory in the proprietary fund types, determined by physical count, are recorded at cost (first-in, first-out basis) and are charged to expense as used (consumption method).

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure (e.g., streets and roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected to include its costs of rights of way acquired subsequent to July 1, 1980 as part of infrastructure. The City has also elected not to report infrastructure acquired prior to July 1, 1980. The threshold for capitalized equipment and improvements is \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Replacements which improve or extend the lives of property are capitalized.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Estimated useful lives used in computing depreciation are:

<u>Assets</u>	<u>Years</u>
Equipment	5-10
Buildings and improvements	50
Infrastructure, utilities	50-65
Infrastructure, street	40-75

Interest costs in the enterprise funds are capitalized as part of the costs of capital assets during the period of construction based on the weighted average borrowing costs incurred. No interest was capitalized during the fiscal year ended June 30, 2004.

5. *Investments in Joint Ventures*

Investments in joint ventures with other governmental units are reported at cost plus or minus the City's share of operating income or loss (equity method) (Note III. G).

6. *Intangible Assets*

Intangible assets consist of water rights which are amortized over 40 years on the straight-line method.

7. *Compensated Absences*

Earned but unpaid vacation (for police union employees), personal time off (for all other employees), and compensatory time is recorded as an expense or expenditure in the proprietary fund types and governmental fund types when earned. The entire amount of accrued salaries and payroll taxes is

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

recognized as expenditures of the funds because the City expects the liability to be liquidated with expendable, available financial resources. Accumulated vacation, personal time off and compensatory time amounted to \$1,809,713 for all funds at June 30, 2004. No liability is reported for unpaid accumulated sick leave (for police union employees) or medical leave (for all other employees); sick or medical leave is recognized in all funds when leave is taken.

8. *Long-Term Debt*

In the government-wide financial statements and also in the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities when material. Bond premiums and discounts, as well as issuance costs, are amortized using the straight-line method, which approximates the effective interest method, over the related debt repayment period. Unamortized bond discount costs are offset against bonds payable. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums received are reported as other financing sources. Issuance costs and discounts, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

9. *Net Assets*

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

10. *Use of Estimates*

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds which are subject to budget requirements of state law. The City Council legally adopts the budget by resolution before July 1. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control (total personal services, materials and services, capital outlay, and other expenditures) is established by resolution for all funds. The General Fund's level of control is slightly different, in that, the total personal services, materials and services, capital outlay and other expenditures are by department.

The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. A supplemental budget that

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

differs by 10 percent or more of any one of the individual funds contained in the original budget for that fiscal year requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. The City adopted two supplemental budgets and four transfer resolutions during the year ended June 30, 2004. Unencumbered appropriations lapse as of year end.

Encumbrances represent commitments related to uncompleted contracts for goods, services or construction. Commitments for expenditures in the governmental funds are recorded as a reservation of fund balance and do not constitute expenditures or liabilities for GAAP purposes. The City's encumbrances outstanding at year end do not lapse, and the commitments will be honored during the subsequent year.

III. DETAILED NOTES ON ALL FUNDS

A. Pooled Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Governmental activities and business-type activities portions of this pool are displayed on the government-wide Statement of Net Assets as "Cash and Investments". In addition, investments are separately held by several of the City's funds.

Cash and investments are comprised of the following at June 30, 2004:

Cash on hand	\$52,035
Cash with fiscal agent	117,357
Deposits with financial institutions	3,228,597
Investments	48,908,617
	<hr/>
	\$52,306,606
	<hr/>

The City participates in an external investment pool (State of Oregon Treasury Local Government Investment Pool). The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds are invested exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establishes diversification percentages and specifies the types and maturities of investments. That portion of the external investment pool which belongs to local government participants is reported in an Investment Trust Fund in the State's Comprehensive Annual Financial Report. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

Fair value of the City's position in the Pool at June 30, 2004 is the same as the value of the Pool shares.

Effective July 1, 1997, the City adopted the provisions of GASB Statement No. 31, Accounting and Financial reporting for Certain Investments and External Investment Pools, which require governmental entities, including governmental external investment pools, to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

which the change occurred. In accordance with GASB Statement No. 31, the City has recorded investments, including its investments in the State of Oregon Treasury Local Government Investment Pool, at fair value.

B. Deposits

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance is \$2,958,913 (book balance \$3,228,597). Of these deposits, \$200,000 was covered by federal depository insurance. For the \$2,758,913 deposits in excess of federal depository insurance, the Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

C. Investments

Oregon Revised Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among others. In addition, the City's investments are governed by a written investment policy, which is approved by the Oregon Short-Term Fund Board and adopted by the Beaverton City Council. The policy specifies the City's investment objectives, required diversification, certain limitations, security safekeeping, and reporting requirements.

As of June 30, 2004 the City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
State of Oregon Treasury Local Government Investment Pool	Avg 6-18 months	\$25,505,417
Bank of America Certificates of Deposit	18 months	1,000,000
U.S. Treasury	1 year-18 months	1,004,785
U.S. Agency	Under 1 year	10,391,098
U.S. Agency	1 year-18 months	11,007,317
Total Investments		<u><u>\$48,908,617</u></u>

Interest Rate Risk

As a means of managing its exposure to fair value loss arising from increasing interest rates, the City's investment policy limits investment maturities to 18 months.

Credit Risk

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State of Oregon Treasury Local Government Investment Pool. The City's investment policy does not permit investment in bank repurchase agreements.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

Concentration of Credit Risk

The City places no limits on the amounts that the City may invest in any one issuer or institution except for commercial paper. More than 5% of the City's investments are in Federal National Mortgage Association and Federal Home Loan Agencies. These investments are 8% and 31% respectively, of the City's total investments.

D. Receivables

Receivables as of year end for the government's individual major and nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accounts & Other	Property Taxes	Assessments & liens	Accrued Interest	Grants	Due from other Governments	Total Receivables
Governmental activities:							
General	\$512,452	\$627,740		\$28,436	\$89,857	\$11,711	\$1,270,196
Street	81,148			4,754		357,050	442,952
Library		47,157		3,697			50,854
Capital Projects				2,318	197,312	23,393	223,023
Other governmental	473	112,425	\$87,642	59,099	37,486		297,125
Internal service	5,402			6,793			12,195
Total - governmental activities	<u>\$599,475</u>	<u>\$787,322</u>	<u>\$87,642</u>	<u>\$105,097</u>	<u>\$324,655</u>	<u>\$392,154</u>	<u>\$2,296,345</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$72,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$72,101</u>
Business-type activities:							
Water	\$1,240,235			\$21,604		\$200,264	\$1,462,103
Sewer	1,120,266			16,699			1,136,965
Storm Drain	144,894			10,843			155,737
Total - business-type activities	<u>\$2,505,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$49,146</u>	<u>\$ -</u>	<u>\$200,264</u>	<u>\$2,754,805</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received or awarded, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

	<u>Deferred</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General Fund	\$523,835	
Library	39,309	
Other Governmental	92,773	
Receivables to be collected in future years	57,509	
Special assessments not yet due (debt service fund)	125,591	
Grant received or awarded prior to meeting all eligibility requirements		\$631,800
Total deferred/unearned revenue for governmental funds	<u>\$839,017</u>	<u>\$631,800</u>

E. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2004 was as follows:

<u>Description</u>	<u>Beginning Balance 7/1/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/04</u>
Non-depreciable Capital Assets:				
Land	\$5,389,715	\$3,824,904		\$9,214,619
Depreciable Capital Assets:				
Buildings and improvements	32,769,222	990,395		33,759,617
Machinery and equipment	7,498,106	418,966	(\$112,444)	7,804,628
Infrastructure - street	77,438,918	14,345,102		91,784,020
Total depreciable capital assets	<u>117,706,246</u>	<u>15,754,463</u>	<u>(112,444)</u>	<u>133,348,265</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,109,220)	(703,524)		(4,812,744)
Machinery and equipment	(4,732,800)	(886,404)	112,444	(5,506,760)
Infrastructure - street	(2,990,784)	(1,594,080)		(4,584,864)
Total accumulated depreciation	<u>(11,832,804)</u>	<u>(3,184,008)</u>	<u>112,444</u>	<u>(14,904,368)</u>
Total capital assets being depreciated, net	<u>105,873,442</u>	<u>12,570,455</u>		<u>118,443,897</u>
Governmental activities capital assets, net	<u>\$111,263,157</u>	<u>\$16,395,359</u>	<u>\$ -</u>	<u>\$127,658,516</u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$335,839
Public safety	36,798
Highways and streets	1,653,683
Education	484,811
Cultural and recreation	59,244
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>613,633</u>
Total depreciation for governmental activities	<u><u>\$3,184,008</u></u>

Capital asset activity for business-type activities for the year ended June 30, 2004 was as follows:

Description	Beginning Balance 7/1/03	Increases	Decreases	Ending Balance 6/30/04
Non-depreciable Capital Assets:				
Land	\$1,097,183			\$1,097,183
Construction in progress	3,932,756	\$1,435,498		5,368,254
Total capital assets not being depreciated	<u>5,029,939</u>	<u>1,435,498</u>		<u>6,465,437</u>
Depreciable Capital Assets:				
Buildings and improvements	538,221			538,221
Machinery and equipment	2,333,374	143,248	(\$9,990)	2,466,632
Infrastructure - utilities	122,585,446	4,724,165		127,309,611
Total depreciable capital assets	<u>125,457,041</u>	<u>4,867,413</u>	<u>(9,990)</u>	<u>130,314,464</u>
Less accumulated depreciation for:				
Buildings and improvements	(356,508)	(8,748)		(365,256)
Machinery and equipment	(1,466,550)	(181,145)	9,990	(1,637,705)
Infrastructure - utilities	(14,577,855)	(2,356,762)		(16,934,617)
Total accumulated depreciation	<u>(16,400,913)</u>	<u>(2,546,655)</u>	<u>9,990</u>	<u>(18,937,578)</u>
Total capital assets being depreciated, net	<u>109,056,128</u>	<u>2,320,758</u>		<u>111,376,886</u>
Business-type activities capital assets, net	<u><u>\$114,086,067</u></u>	<u><u>\$3,756,256</u></u>	<u><u>\$ -</u></u>	<u><u>\$117,842,323</u></u>

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$1,136,620
Sewer	769,032
Storm water	<u>641,003</u>
Total depreciation for business-type activities	<u><u>\$2,546,655</u></u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

F. Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2004, is as follows:

Interfund Loan Receivable/Payable:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Other Governmental Fund	\$39,195

The loan receivable in the General Fund in the amount of \$39,195 is from the Assessment Debt Service Fund, which represents the long-term LID construction loan, that is to be repaid as the assessed property owners make payments in the future years.

Interfund transfers

Transfers between funds provide support for various City programs in accordance with budgetary authorizations and resources for payment of debt services. General Fund transfers to Capital Projects Fund are for Hall/Watson beautification. Street Fund transfers to Capital Projects Fund are for bike path and street improvements. Nonmajor governmental funds transfers to General Fund are for the bus pass program; to Capital Projects Fund are for various street improvements; to other nonmajor governmental funds represent commitment to Beaverton Arts Commission. Interfund transfers for the fiscal year ended June 30, 2004, consisted of the following:

Transfers Out	Transfers In			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Governmental Funds:				
General Fund		\$926,451		\$926,451
Street Fund		203,900		203,900
Nonmajor Governmental Funds	\$14,643	2,939,156	\$98,889	3,052,688
Total Transfers in/out	\$14,643	\$4,069,507	\$98,889	\$4,183,039

G. Investments in Joint Ventures

	Joint Water Commission Joint Venture	Barney Reservoir Joint Venture	Total
Investment in joint ventures at July 1, 2003	\$10,965,469	\$8,105,509	\$19,070,978
Investment	11,459	154,980	166,439
Loss for the year	(147,357)	(274,691)	(422,048)
Investment in joint ventures at June 30, 2004	\$10,829,571	\$7,985,798	\$18,815,369

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

Joint Water Commission

In April 1979, the City purchased an interest in the Joint Water Commission ("JWC") to provide joint operations for the supply, pumping, treatment, and transmission of potable water. This agreement was established between the City of Hillsboro, the City of Forest Grove, and the City of Beaverton. Effective July 1994, the JWC expanded its membership to include Tualatin Valley Water District ("TVWD"), and in March 2004, the City of Tigard also joined the JWC. The JWC is governed by three members from each entity. The City of Beaverton currently has a 25% ownership of JWC facilities.

Barney Reservoir Joint Ownership Commission

The Barney Reservoir Joint Ownership Commission ("BRJOC") was formed to own, operate, and expand the J.W. Barney Reservoir (a dam on the Trask River in the coastal mountains). The BRJOC is governed by one member from each entity. The City of Beaverton currently has a 21.5% ownership (4,300 acre feet) of the Barney Reservoir.

The operating costs of each joint venture are shared by the participating agencies and the City reports its share of income or loss of the Commissions using the equity method. Financial statements for both commissions may be obtained from the City of Hillsboro, Finance Department at 123 West Main Street, Hillsboro, Oregon 97123.

H. Long-term debt

General Obligation Bonds

The government issues general obligation (GO) bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of outstanding general obligation bonds issued in prior years was \$36,809,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. Principal and interest on governmental general obligation bonds are payable solely from property tax revenues. During the year the outstanding portion of the City's General Obligation Water Refunding Bonds, Series 1992 were refunded.

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Balance</u>
General obligation bonds serviced by general property taxes:		
Refunding Bonds, Municipal Center - Series 1993 C	2.9% to 5%	\$630,000
Library Facility - Series 1999	4.25% to 5%	18,060,000
TOTAL GENERAL OBLIGATION BONDS		<u><u>\$18,690,000</u></u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$1,490,000	\$898,075
2006	895,000	830,025
2007	935,000	791,988
2008	975,000	750,848
2009	1,020,000	706,973
2010-2014	5,875,000	2,765,403
2015-2019	7,500,000	1,162,750
TOTALS	<u><u>\$18,690,000</u></u>	<u><u>\$7,906,060</u></u>

Long-term Loan Payable

In March 2004, the City received \$752,000 through Section 108 loan guarantee program of the Housing and Community Development Act of 1974. The loan proceeds were used to purchase a child care center facility leased by Community Action Head Start to secure a permanent child care resource for Beaverton's low income families. The principal and interest payments of the Section 108 loan will be made with lease receipts from Head Start. Currently, the City is paying variable interest rate of 1.3% to 2.2%, and the permanent interest payment terms have not been finalized.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$0	Variable
2006	24,000	"
2007	25,000	"
2008	27,000	"
2009	28,000	"
2010-2014	165,000	"
2015-2019	212,000	"
2020-2024	271,000	"
TOTALS	<u><u>\$752,000</u></u>	

Revenue Bonds

The City issues revenue bonds to finance major construction projects for business-type activities. The original amount of revenue bonds issued in prior years was \$22,700,000. On January 1, 2004, the City issued \$10,375,000 Water Revenue Bonds to refund all of the City's General Obligation Water Refunding Bonds, Series 1992, in the amount of \$3,060,000, the callable portions of the City's Water Revenue Bonds, Series 1994, in the amount of \$4,500,000 and to finance the costs of acquiring real and personal property, additions, replacements, expansions, improvements and any applicable equipment to the City water system, in the amount of \$2,897,331. In addition, the bond proceeds paid for the costs of

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

issuance, the purchase of bond insurance and a Reserve Credit Facility. The reacquisition price exceeded the net carrying amount of the General Obligation Water Refunding Bonds, Series 1992 by \$51,866. The reacquisition price exceeded the net carrying amount of the City's Water Revenue Bonds, Series 1994 by \$141,410. These amounts are being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$1,732,966 and resulted in an economic gain of \$686,873.

The \$10,375,000 Water Revenue and Refunding Bonds, Series 2004(A) ("the bonds"), will be paid solely from the Net Revenues of the System, as defined in the Master Ordinance. The City purchased a bond insurance policy which will guarantee payment of principal and interest of the bonds when due. The City also purchased a Reserve Credit Facility which will cover the debt service reserve requirements for the bonds.

Certain Water Revenue Bonds are callable at various prices at specified times prior to maturity. The 2004(A) bonds defeased all of the 1992 General Obligation Water Refunding Bonds and the callable portions of the 1994 Water Revenue Bonds, by placing \$7,811,786 in an irrevocable trust to provide for all future debt service on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. Outstanding revenue bonds as of June 30, 2004 include the 1994, 1997 and 2004(A) water bonds.

The City has covenanted in the Master Water Bond Ordinance to charge rates and fees in connection with the operation of the water system which, when combined with other gross revenues, are adequate to generate net revenues in each fiscal year at least equal to 1.20 times annual debt service due in that fiscal year for senior lien debt and outstanding bonds. If the net revenues fail to meet this level, the City is required to promptly increase its rates and fees or reduce expenses to a level so that net revenues are projected to meet the required level. As of June 30, 2004, the City was in compliance with these requirements.

<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Ending Balance</u>
Enterprise bonds serviced by specific fund revenues:		
Water Revenue Bonds - 1994 Series	3.9% to 6.125%	\$3,585,000
Water Revenue Bonds - 1997 Series	4.25% to 5.25%	7,480,000
Water Revenue Bonds - 2004(A) Series	2.00% to 4.00%	9,800,000
Total Revenue Bonds		<u>\$20,865,000</u>

Revenue bond debt service requirements to maturity are as follows:

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$2,060,000	\$925,129
2006	2,185,000	842,126
2007	1,335,000	741,709
2008	1,395,000	678,107
2009	1,465,000	612,391
2010-2014	8,440,000	1,994,181
2015-2017	3,985,000	323,696
	<u>20,865,000</u>	
Unamortized discount	(754,567)	
TOTALS	<u><u>\$20,110,433</u></u>	<u><u>\$6,117,339</u></u>

Contracts Payable

The City has two contracts payable with the U.S. Department of the Interior, Bureau of Reclamation for water rights at Scoggins Dam. The first contract is for 2,500 acre feet of water rights and the second contract is for 1,500 acre feet of water rights. Both contracts are due and payable in annual installments and bear interest at 3.5%. Because the imputed interest rate of 11% is greater than the 3.5% stated interest rate, there is an unamortized discount amount being amortized against the annual interest expense. The ending balance of both contracts at June 30, 2004 totals \$739,831 (net of \$416,630 unamortized discount).

<u>Business-type Activities</u>	<u>Interest Rates</u>	<u>Balance</u>
U.S. Department of Interior, Bureau of Reclamation - contract payable Scoggins Dam	3.5%	\$1,156,461

Debt service requirements to maturity on contracts payable are as follows:

<u>Year Ending June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$24,631	\$40,478
2006	25,493	39,616
2007	26,385	38,724
2008	27,309	37,801
2009	28,265	36,845
2010-2014	156,873	168,674
2015-2019	186,316	139,231
2020-2024	221,285	104,262
2025-2029	212,635	63,593
2030-2034	170,491	31,759
2035-2036	76,778	4,057
	<u>1,156,461</u>	
Unamortized discount	(416,630)	
TOTALS	<u><u>\$739,831</u></u>	<u><u>\$705,040</u></u>

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

Bonds and Obligations Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds	\$20,110,000		(\$1,420,000)	\$18,690,000	\$1,490,000
Loan payable		\$752,000		752,000	
Governmental activities - long term liabilities	\$20,110,000	\$752,000	(\$1,420,000)	\$19,442,000	\$1,490,000
<u>Business-type Activities:</u>					
Bonds and obligations payable:					
General obligation bonds	\$3,046,102		(\$3,046,102)		
Revenue bonds	16,095,189	\$10,375,000	(6,359,756)	\$20,110,433	\$1,940,744
Total bonds payable	19,141,291	10,375,000	(9,405,858)	20,110,433	1,940,744
Contracts payable	751,921		(12,090)	739,831	24,631
Business-type activities long term liabilities	\$19,893,212	\$10,375,000	(\$9,417,948)	\$20,850,264	\$1,965,375

IV. OTHER INFORMATION

A. Pension Plan - State of Oregon Public Employees Retirement System and Oregon Public Service Retirement Plan

1. Plan Description

The City contributes to the Oregon Public Employees Retirement System (PERS) and to the Oregon Public Service Retirement Plan (OPSRP). PERS is an agent multiple-employer defined benefit public employee retirement system. OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). A defined benefit plan is benefit-based and uses predictable criteria such as a pension determined by salary multiplied by length of service multiplied by a factor. A defined contribution plan has no guarantee. OPSRP is administered by PERS. PERS acts as a common investment and administrative agent for political subdivisions in the State of Oregon.

The 2003 Oregon Legislature established OPSRP. Public employees hired on or after August 29, 2003 become part of OPSRP, unless membership was previously established in PERS. The 1995 Oregon Legislature established a different level of benefits for employees who began their six-month waiting period on or after January 1, 1996. This level is called Tier Two.

For the year ended June 30, 2004, the City's total payroll for all employees and the City's total covered payroll amounted to \$24,438,935 and \$23,288,336, respectively. Covered payroll refers to all compensation paid by the City to active employees covered by PERS and OPSRP on which contributions to the pension plans are based.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard Oregon 97281-3700 or by calling 1-503-598-7377.

Benefits generally vest after five years of continuous service. General service employees may retire after reaching age 55; police personnel are eligible after reaching age 50. PERS Tier One and Tier Two employees with 30 years of service (25 years for police personnel at age 50) receive unreduced benefits. General service employee benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service (age 60 for Tier Two). OPSRP general service employees receive full benefits if they are 58 years of age and have 30 years of service or are age 65. OPSRP police officer personnel receive full benefits if they are 53 years of age and have 25 years of service or are age 60.

Retirement benefits are based on final average salary and length of service. PERS retirement benefits are calculated using three methods: Full Formula, Formula Plus Annuity, and Money Match. PERS will use the method that produces the highest benefit amount. OPSRP pension benefits are calculated as follows: general service members - 1.5 percent of final average salary multiplied by the number of years of retirement credit attributable to service; police - 1.8 percent of final average salary multiplied by the number of years of retirement credit attributable to service. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

2. Funding Policy

The rate of employer contributions to PERS is determined periodically by PERS based on actuarial valuations performed at least every two years. Contributions made by the City for the year ended June 30, 2004 on behalf of the qualifying employees represented 6% of covered payroll.

The December 20, 2001 actuarial report recommended increasing the City's contribution rate from 7.33% to 14.21%. Similar contribution rate increases were projected for all plan participants statewide. Given the financial impacts of the increased contribution rates on the state, county, and local governments, the State Legislature enacted three bills (House Bills 2001, 2003, and 2004) that amended the PERS benefit structure and reduced the funding requirements to the PERS system. The PERS actuary has recalculated the 2001 Actuarial Valuation based upon enactment of House Bills 2001, 2003, and 2004. New contribution rates of 9.22% were distributed to all plan participants on July 3, 2003 and were effective July 1, 2003. The City's actual contribution rate and payments to PERS for the year ended June 30, 2004, was 9.22% of covered payroll. The City's contribution rates to OPSRP are 8.04% for general service employees and 11.65% for police. Total contributions to the Plans, including the 6% employee portion for the year ended June 30, 2004, were 15.22% for PERS, 14.04% for OPSRP general services and 17.65% for OPSRP police. Because of pending litigation concerning the recently passed legislation, the City elected to implement the 14.21% PERS employer contribution rate in July 2003. The \$1,166,922 difference between the 14.21% and PERS 9.22%, OPSRP 8.04%, and 11.65% rates has been recorded as budgetary expenditures in the appropriate funds.

3. Annual Pension Cost

For fiscal year 2004, the City's annual pension cost of \$3,545,460 was equal to the City's required and actual contribution. The required contribution was determined as part of the actuarial valuation at December 31, 2001, using the entry age actuarial cost method. The fair market value method is used to determine the actuarial value of the plan's assets. Significant actuarial assumptions used in the

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

valuation include: (i) consumer price inflation of 3.5% per year, (ii) a rate of return on the investment of present and future assets of 8.0% net of investment and administrative expenses (assumed earnings rate for purposes of Tier One guaranteed interest credit), (iii) projected salary increases of 4.25% per year, excluding merit or longevity increases, (iv) projected post-retirement benefits of 2.0% per year, (v) unfunded actuarial liability is amortized on a level percentage of projected annual payroll on a closed group fixed term basis over twenty-eight (28) years.

Three-year Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002	\$2,611,742	100%	\$0
2003	3,084,948	100	0
2004	3,545,460	100	0

B. Risk Management

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Significant real and personal property exposures are covered by insurance for loss from all perils, including earthquake and flood damage. General and automobile liability exposures are insured up to \$2,000,000 per occurrence, and are subject to a \$125,000 aggregate deductible. The City retains the first \$250,000 per workers' compensation claim and transfers the excess exposure through commercial insurance. Settled claims have not exceeded commercial coverage in any fiscal year.

Liabilities include an amount for claims that have been incurred but not reported (IBNR). At June 30, 2004, \$144,334 and \$361,000 of those liabilities are outstanding in the General Liability Program and in the Workers' Compensation Program, respectively. Changes in the Internal Services Funds' claims liability for the years ended June 30, 2003 and 2004 are as follows:

	<u>Balance July 1</u>	<u>Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance June 30</u>
2002-2003	\$505,334	\$258,112	\$(258,112)	\$505,334
2003-2004	505,334	227,837	(227,837)	505,334

The City fully insures its health insurance benefit obligations through three different plans. The ODS Health Plan (ODS) Point of Service (POS) plan offers eligible employees and dependents a maximum lifetime benefit of \$2,000,000. The ODS Preferred Provider Option (PPO) plan offers a \$1,000,000 lifetime benefit. The Kaiser plan has no lifetime maximum benefit. The City's self-insured dental plan provides coverage up to a maximum of \$3,000 per year for management employees and \$1,500 per year for union employees. The City is required by state law to provide unemployment benefits to eligible employees for a period not to exceed twenty-six weeks.

CITY OF BEAVERTON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2004

C. Commitments and Contingencies

Workers' compensation, general liability, auto, unemployment, medical, and dental claims covered by the City's Insurance Fund (Internal Service Fund) are reviewed, and losses are accrued based on the judgment of City management. In the opinion of City management, the ultimate disposition of these claims will not have a material adverse effect on the financial position or results of operations of the Internal Service Funds.

The City is the defendant in several legal actions currently pending. Although their outcome cannot be determined, it is the opinion of management that settlement of these matters will not have a material effect on the financial position and results of operations of the City.

The City has active construction projects as of June 30, 2004 which represent multi-year contracts. As of June 30, 2004, the amount of uncompleted contracts for various projects totals \$249,445 in the governmental funds and \$1,537,841 in the business type funds.

D. Transactions with Clean Water Services of Washington County

In April 1976, the City entered into a contract with the Clean Water Services of Washington County (CWS) whereby the City acts as a collection agent for CWS for sewer service and connection charges inside the City's limits. The City, in 1990, also entered into a contract with CWS to collect storm drain charges. The City collects charges on behalf of CWS and remits all applicable collections to CWS, except for 19.62% of sewer service charges collected, 20% of sewer connection charges collected, and 75% of applicable surface water charges collected, in accordance with the agreement. The amount retained by the City of \$4,100,068 for fiscal 2004 is reported as revenues (charges for services) in the Business-Type activities – Enterprise Funds on the Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.

E. Subsequent Event

On October 1, 2004, the City of Beaverton issued \$10,280,000 Water Revenue and Refunding Bonds, Series 2004(B) to refund the portion (\$3,585,000) of the City's outstanding Water Revenue Bonds, Series 1994 that were not previously refunded by the City's Water Revenue and Refunding Bonds Series 2004(A) and advance refund (\$6,185,000) of the City's outstanding Water Revenue Bonds, Series 1997 maturing 2008 through 2017. Bond insurance premiums, underwriter's discount, and cost of issuance makes up the \$510,000 difference.